

21st Century Government

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Introduction

Good afternoon. I want to thank my very good friends at e-Republic and Government Technology for putting on another tremendous conference and great show. We've had one great keynote already from Carly Fiorina, CEO of HP, and we've got another first class keynoter scheduled for tomorrow with Doug Busch, CIO of Intel. There are a great set of training programs, the Iron Chef Information Security Challenge, the Street of Teams and so much more. There is a lot to see and do. I want to thank you and your sponsors for putting together another great event.

I really can't say enough good things about Carly Fiorina's message this morning. The State is embarking on precisely the same voyage that HP has successfully, and really only recently, completed. Her speech should be required reading for all public sector CIOs, CFOs, department directors and agency secretaries, and CEOs. We need to go to school on HP's reorganization and transformation.

A New Spirit of Optimism and Hope

I'm here to tell you a little bit about what is going on inside California government and the role technology is going to play in our future.

There is within government a renewed optimism about our future. We are energized and hopeful. We sense the beginning of a renaissance. We are ready for action.

The contrast in our mood and attitude between last year and this year could not be starker. The cobwebs of risk aversion have been swept away and replaced with a freedom to think and pursue big thoughts and major change.

We are encouraging everyone to go back to first principles: to re-examine everything about government and to put everything on the table.

This is very exciting stuff, and there are great opportunities ahead of us. But it is also challenging, because we lead and govern at a time when there is a great distance between what society demands and expects from government, and what we are able to deliver given our current structure and operational capacity.

First Principles – The Role of Government

Let's go back to some first principles about government. We need to ask the fundamental questions: What is government's role? What is our core competency? Why do we exist?

At a philosophical level, there are some simple answers to these questions. Government's primary function is to establish conditions conducive to maintaining social and civic order. To keep us from degenerating into a state of utter chaos or what the great philosopher Hobbes called the "state of nature."

In a democracy, that social and civic order is also designed to help us achieve individual and collective fulfillment; to help each of us realize our full potential as individuals and citizens. This is of course not the focus of all governments, but in a democracy, we want government to foster freedom, liberty, equality and justice.

Contradictions Mediated by Technology

Today, social and civic order in the United States, and individual fulfillment, is characterized by contradictions that are increasingly mediated by technology. These dialectical tensions, and the role technology plays in resolving them, are the defining features of our post-modern culture.

Let me give a few concrete examples. We are global and local at one and the same time. Global in our reach, but through technology, all of those global activities – the good, the bad and the ugly – are immediately brought home to us.

Global in our business operations, but because of the flexibility provided by technology, we are client-oriented to a remarkably individual extent. The days of the one-size-fits-all Model A Ford are gone, replaced with on-line ordering and just-in-time manufacturing – one size for each of us.

We are workers who owe fealty to organizations, but we have equally strong ties and obligations to expanding notions of the nuclear family. The tension and conflicting demands between our work lives and our home lives has never been felt so acutely, particularly in two income households. Technology blurs those lines by obliterating our traditional notions of what an office is, by making telecommuting a genuine option and by making it ever easier for the workplace to follow us wherever we go.

As a people, we are techno-phobes addicted to technology. We are a society fearful of the risks posed by advanced technologies, fearful of pollution, fearful of physical harm, fearful of privacy invasions, fearful of stolen identities. But we are addicted to the very same technologies that create these risks. We want the convenience and benefits of integrated financial systems and web-based transactions, and we expect technology to supply solutions to mediate those transactions without sacrificing control over individual privacy.

And when it comes to government and the public's opinions about government, we have a long-standing love-hate relationship. We demand much of government in the way of services and expertise, but we are fearful and distrustful of government. We want a lot from a little. We fantasize about massive amounts of waste, fraud and abuse. We assume the worst but demand the best.

In a sense, this is a dream-land, a land where you actually can have your cake and eat it too, a land of golden opportunity and boundless optimism, a land where high expectations are the coin of the realm.

Maintaining the conditions for this almost schizophrenic social and civil order is government's current role and consuming challenge.

Consider a few of the current challenges facing California and judge for yourself the accuracy of my assessment.

How do we provide appropriate levels of workers compensation benefits to all legitimate claimants while keeping the costs of workers compensation insurance reasonable in a national and global marketplace?

How do we ensure universal service and reasonable costs for electricity in a state that has historically been fearful of the environmental risks posed by heavy industry, including industry associated with the production of electricity?

How do we provide world-class higher education when student fees come nowhere near paying all of the expenses?

How do we continue to provide the level of social and health services expected of government while at the same time refusing to increase revenues to pay for those services notwithstanding a well-documented and understood gap between those expenditures, caseload growth and anticipated revenue?

We are a State that has been starved for leadership on these and like issues. Governor Schwarzenegger is supplying that leadership with clearly described goals and principles about taxes, the business climate, fiscal stability, energy and education. We have taken important first steps forward, but we have many miles yet to travel.

Government Operations: Do It Better, Do It Faster, Do It Cheaper

As the State's Chief Information Officer, my focus has appropriately been more internal, but the contradictions and challenges are of a similar nature. How do those of us working inside of government answer the seemingly conflicting calls for more and better state operations and services and at the same time for smaller and cheaper government? How do we make it taste better and cost less? Do it better, do it faster and do it cheaper.

I am at heart a 21st Century Jeffersonian. Like Jefferson, I am convinced that a small government is the best government, and at the very least it has to appear that we have a small, non-invasive government. We want government to be all but invisible. Government sets the context for social and civic order, and we want government to be responsive to that changing order. But we also want government out of the way. When government touches us, or we are forced to touch government, we want the transaction to be as quick as possible and as painless as possible.

To bring Jefferson up to date, we have to replace the romantic vision of local, agrarian communities with the modern reality of global, networked diversities, the diversities that reflect our modern contradictions.

So the challenge for us modern Jeffersonians is to imagine how to make those complexities and diversities disappear or appear to disappear while maintaining the services that those complexities and diversities have been created to supply? How to make the complexity of the modern administrative state, with its extraordinary reliance upon narrowly-focused experts who thrive upon that complexity and obscurity, melt away?

So, you might well ask at this point, is there a vision that will accommodate these different strands of thought? That will make sense out of the contradictions we face?

I think we've got an answer – or at least some general themes – that are being developed in the work being done by the California Performance Review.

Background of the California Performance Review

A month or so into the transition to the new Administration, I began to work with Paul Miner and others in the Governor's office to sketch out the goals and basic structure of the California Performance Review. We had the benefit of great work done in other states and the good fortune to hook up with one of the leaders in the performance review movement, Billy Hamilton, our good friend from the great Republic of Texas.

The CPR was introduced in general terms in the Governor's January budget and made quite a splash in the State of the State address when Governor Schwarzenegger transformed the tired image of "moving boxes around" into the action-oriented "blowing up the boxes."

We've now had the benefit of great leadership in this effort from Billy Hamilton, who we were able to borrow part-time from Texas, and one of California's most knowledgeable and gifted public servants, Chon Gutierrez. Billy and Chon serve as co-directors of the CPR. Supported by a remarkable staff of some 275 visionaries brought in from around state government, we have completed work on a reorganization of the Executive Branch and are well along in making a host of other suggestions for programmatic improvement.

CPR Themes

We are beginning to see in this work the emergence of some unifying themes: Executive Branch reorganization, growing government down, investment in information technology, and budget reform. These themes and initiatives hold the key to doing more with less, to making government more customer-oriented and less visible and irritating to the public.

First, allow me to address the Executive Branch reorganization. When we consider the organization of the Executive Branch, we often speak of silos of government, but that is being charitable. The word silos at least suggests that we may be reasonably well organized vertically. But in California state government, it is much worse. We are not just silos organized by agencies or even by departments. We are, instead, a disorganized conglomeration of departments, divisions within departments, boards, commissions and program units. And for those who want to know precisely what the word “conglomeration” signifies, my dictionary says it is a “mass of miscellaneous things.” That pretty well describes state government.

We need to transform government from a “mass of miscellaneous things” into a unified organization – a true Executive Branch – where the form of the organization directly supports the functions to be performed. Ockham’s Razor must be our guide. No unnecessary complexity.

CPR has completed a proposed reorganization of government that accomplishes this. And let me say that there is nothing radically novel about the proposal. We are doing the same thing that organizations around the world have been doing for the last twenty years. We are doing exactly what Carly told us this morning happened at HP. Make the organization much flatter, and group like functions together to facilitate effective management. Go horizontal, not vertical.

I suspect that most of the special interests within and around government that will oppose the proposal will do so because they much prefer the current obscurity and complexity which gives them a competitive advantage in manipulating the bureaucracy. To single-issue special interests, transparency, efficiency and enterprise-wide thinking are not always welcomed. But in my view, that is the direction we must go, and we must move there quickly.

Reorganization by itself is certainly not enough. There will be some improvements and some savings from CPR’s reorganization, but that is only one piece of the puzzle.

Second, we need to “grow down” state government in the context of CPR’s reorganization. We need to get smaller and cost less. This change can and must happen without layoffs. Layoffs are a morale killer, and in the public sector, they are not an effective or efficient approach to workforce management, if they can be avoided. We can avoid this approach because of another workforce crisis that we face. Almost forty percent of the State’s workforce will be at retirement age within three to five years. If we plan strategically in anticipation of this mass exodus, we can right-size state government,

saving billions in the process, without sacrificing services and without damaging the morale of our dedicated public sector workforce.

Now some of you are no doubt wondering how we can substantially reduce the size of the state workforce without cutting into services. Well that's where the third initiative comes into play. Getting smaller while maintaining or expanding services can happen only if we make a massive investment in information technology. There is both good and bad news here. The bad news is that our use of information technology is truly in its infancy. But that is also the good news, because we have not even begun to realize most of the productivity improvements that the private sector saw in the 1990s. We are so far behind, that it will take a massive investment to make the leap into the 21st century. But the length of that jump also reflects the potential return on investment.

Our IT agenda is going to have to be broad enough to produce that return. It will include, at a minimum,

- re-establishing effective IT governance within the State,
- agreeing upon a 5-year strategic plan for IT developments in the areas of back office systems, smart services on the Internet, infrastructure rationalization, and IT security, and
- establishing and enforcing statewide policies and standards through an enterprise architecture.

That is my vision for the immediate future of IT in state government, and we need to make an investment in IT to make that happen.

The fourth and last CPR theme involves money. We need to fundamentally change the way we build our budgets and manage our money. Right now, our budget system is a patchwork of different systems that frustrate any attempt at rational long-term planning. And that budget system is not connected in any systematic way to departmental financial systems which operate virtually in isolation from each other. To make matters much worse, our budgets are built year-to-year on the basis of annual changes up or down from last year's base. Build it into the base, and it may as well be out of sight.

One of the things we called for in CPR's charter was an examination of performance-based budgeting and an examination of the State's budget and financial systems. CPR is well along in both of these efforts. The Department of Finance is now beginning its work on the issue of performance-based budgeting in earnest, and I am starting to have high level staff discussions with Finance, the Controller, the Treasurer and others about the need for enterprise-wide budget, financial and HR systems.

These four fundamental changes to government – Executive Branch reorganization, growing government down, investment in information technology, and budget reform – are what we have to do to bring California government into the 21st century. We can set the standard for government reform efforts around the country and for the next several

decades we can demonstrate that government can be responsive to modern society's conflicting demands and that, in Carly's words, government can be adaptive to change.

Conclusions

Information technology is the great facilitator for these changes, and one of the reasons I am so hopeful about our future is because I know from looking at other large, global organizations, that technology actually can turn these themes and dreams into a reality. We now can realistically envision a future where government operations take several quantum leaps forward.

We have already started down this path. The Controller's 21st century payroll project is underway. We are having serious discussions about enterprise-wide budget, financial and HR systems. We are going to reinvest in the development of smart government services provided through the Internet. We are going to embrace the transformational power of technology.

So my friends fasten your seatbelts; it's going to be a wild and bumpy ride for the rest of the decade. Sharpen your pencils, and set aside some quality time for careful planning and sustained implementation. California government is on the move again, and we will need everyone's commitment and help to achieve our goals.

Join Governor Schwarzenegger and I in making California the country's first 21st century government.